

NC Economy Watch

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What's going on with tariffs?

A **tariff** is a **tax** on **importers**

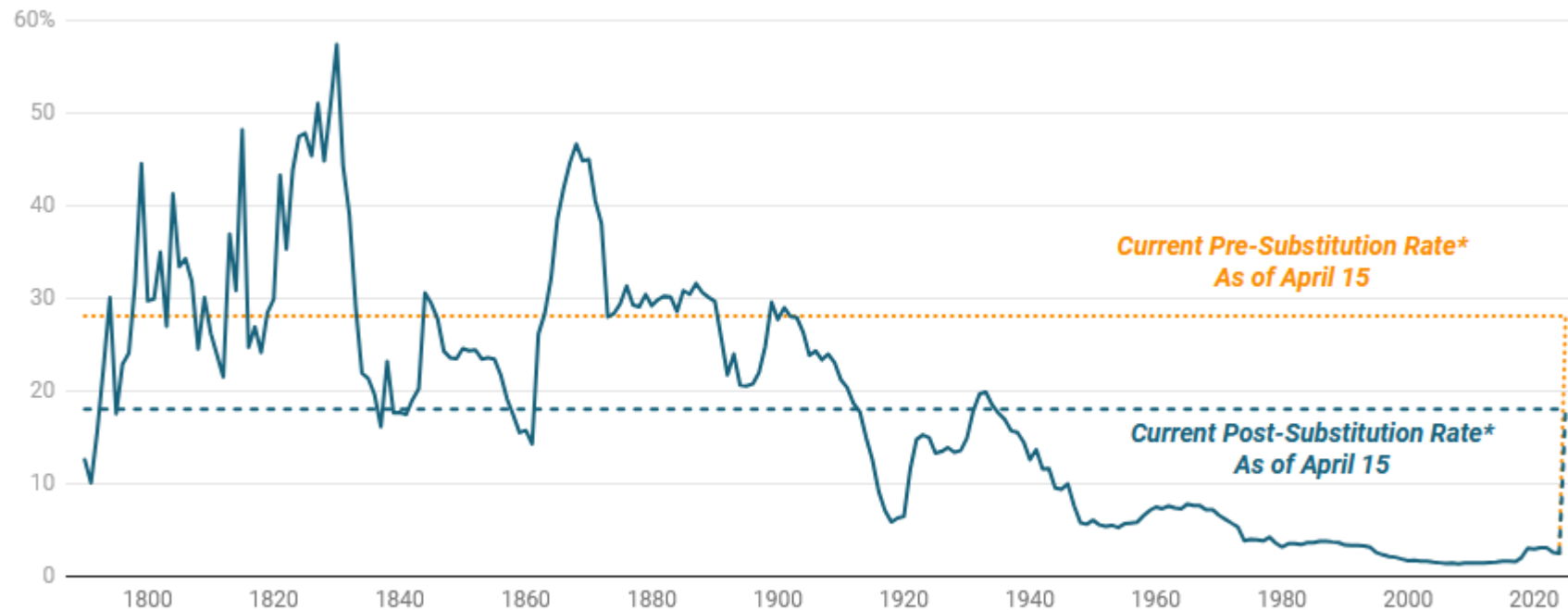
The **economic impact** of tariffs is **complex** and can vary depending on the decisions made by importers, exporters, consumers, and governments

- On one hand, tariffs can benefit domestic businesses and lead firms to “reshore” production
- On the other hand, tariffs and tariff-related uncertainty can also result in shortages, higher prices, less consumer spending, less hiring, less business investment, and slower economic growth

While the economic impact of tariffs is subject to debate, the **historical significance** of the recent surge in tariff rates is undeniable...

Before trade negotiations with China, tariff rate had risen to highest in 90-120 years

Customs duty revenue as a percent of goods imports

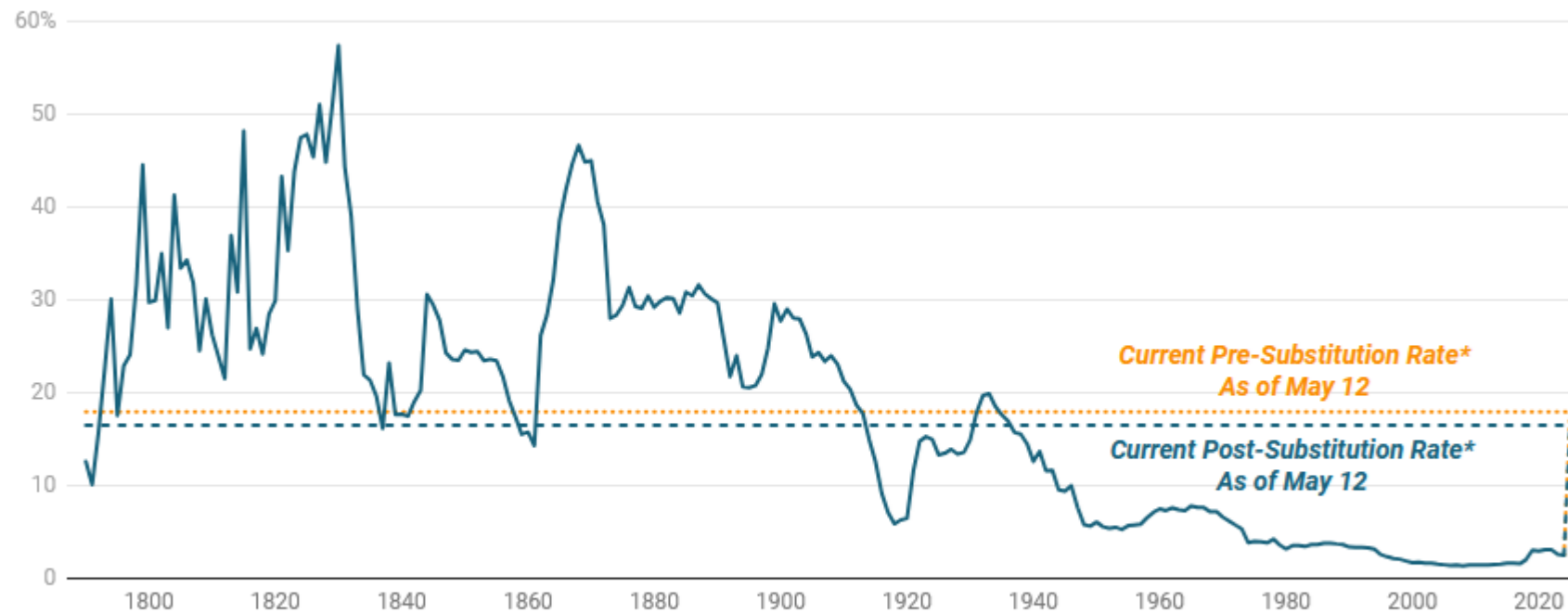


* Assumes revised April 9 tariffs stay in place.

Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datavrapper](#)

Since then, the rate has fallen, but is still at highest level in ~90 years

Customs duty revenue as a percent of goods imports

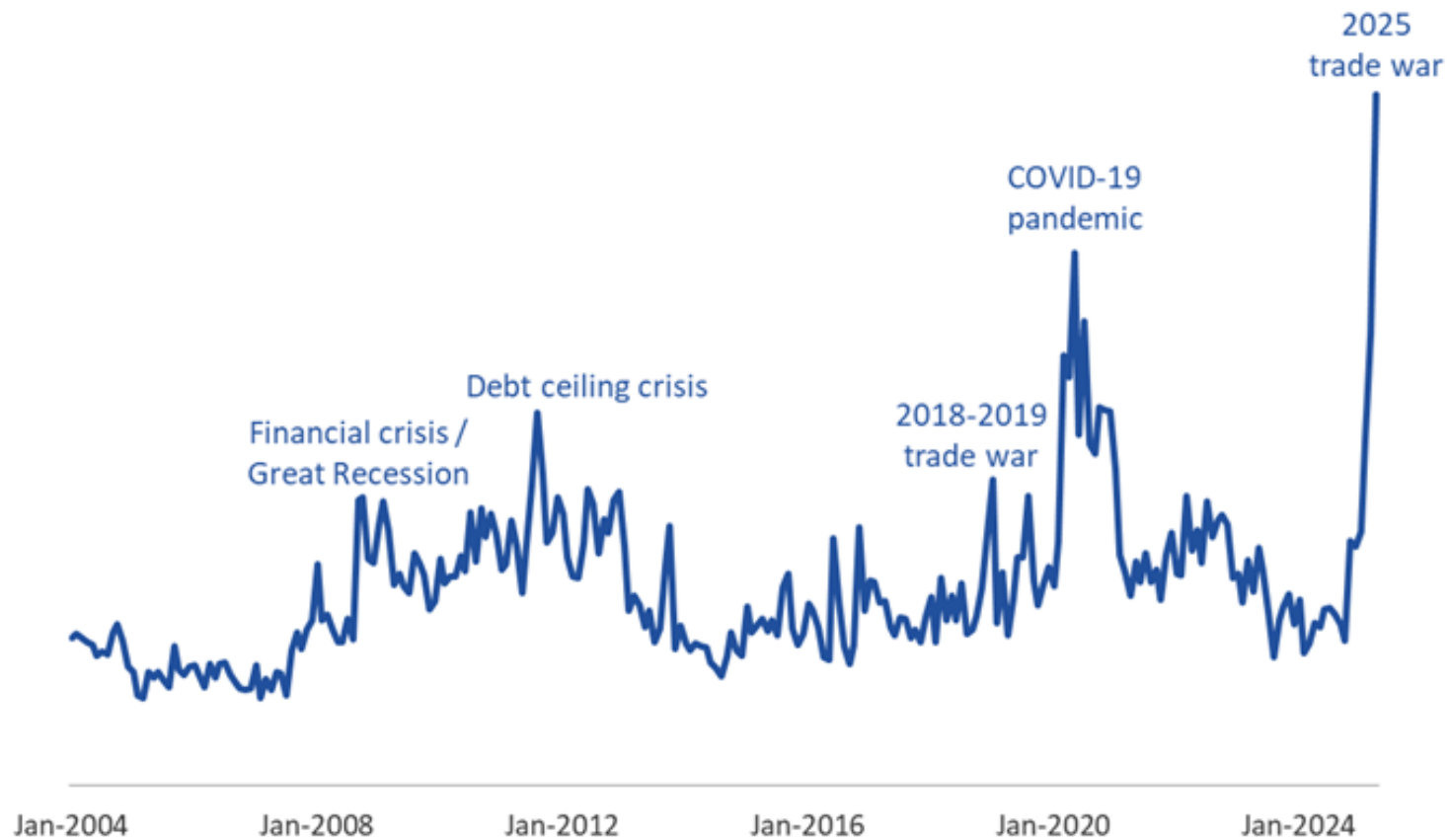


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Policy Uncertainty Has Skyrocketed -- What Will Tomorrow Bring?

U.S. Economic Policy Uncertainty Index (Jan 2004 - Apr 2025)



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Source: Baker, Bloom, and Davis <http://www.policyuncertainty.com>

For Now, We're Seeing Few Signs of an Impending Recession

U.S. Weekly Economic Index, scaled to over-the-year GDP growth (Jan 2020 - May 2025)



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Source: Federal Reserve Bank of Dallas

What are the economic impacts so far?

Businesses raced to stock up on inventory before tariffs took effect earlier this year, sending U.S. imports to an all-time high during the first quarter of 2025

Since then, we've seen reports of **slowdowns in trade activity** and **lower demand for U.S. agricultural exports**. Overall, however, we see **little concrete evidence** that tariffs have harmed (or helped) the U.S. economy as a whole.

Indicators to watch in the coming months include imports/exports, manufacturing orders, consumer prices, consumer spending, and unemployment

- Impacts (if any) might not be apparent until later this year

Resources of interest

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“Thank you!”

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